Pensions Aspects

www.pensions-pmi.org.uk

Edition 54 | April 2024

Examining the three 'P's: Pensions, Policy and Politics

'The great wellbeing walkout'

Getting the most out of the General Code

The Debunk of Volatility Drag

Pensions Management Institute
Moving pensions forward

PMI Pathways

Now you can follow your star as far as you want

With PMI Pathways, you can reach the top – whichever career path you have chosen.

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For more information, please go to:
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Pensions Management Institute

Foreword

Chief Executive's Foreword

Gareth Tancred
Chief Executive Officer, PMI

2023, albeit a distant memory now it seems, was a busy but productive year for your Institute. We had several achievements including the launch of Pathways, making our qualifications more streamlined to specific career paths; showcasing excellence with our Pinnacle Awards for the second year running and continuing to deliver high-quality events beating our feedback targets, to name but a few.

These achievements all stem from our overarching strategic objectives; reviewing and simplifying our existing products and services, developing new products and services that will be needed in the years to come, including transformation from subject-matter expert into a recognised thought leader; developing new markets; reviewing who we are to ensure we remain relevant and forward-looking, and finally adapting our infrastructure ensuring both our governance and internal organisation support the delivery of our Strategic Plan. None of these of course are easy nor can be done overnight, however I am very much looking forward to continuing to deliver these initiatives working closely with you, our members, learners and corporate partners.

Looking forward and having already embarked on the second year of our Strategic Plan, we have a number of exciting initiatives we are continuing to work on. We are continuing to deliver Pathways across the industry, focusing on embedding it as the norm, and assisting all our learners to achieve their goals and helping them to grow their career faster, while bringing tangible benefits to their organisations. We are currently also revamping our Academy structure, working on a major thought-leadership piece, developing a new market, and formally launching our new image.

Our new image project, in particular, was initiated following extensive member research and a realisation that the pensions sector continues to evolve – rapidly in some areas. To stay ahead of the ever-changing environment, PMI also needs to evolve, becoming even more Relevant, Future Focused and Inclusive. We are excited to show you the results; all will be revealed soon!

We are also in the midst of reviewing our current Governance Structure, ensuring it continues to align with our strategic objectives, providing appropriate oversight but allowing us to deliver our commitments in a timely manner. As well as People, Technology is also a key part of any organisation. We strive to improve the services we provide to our members, so we are carrying out an Organisational Efficiency review to enhance our processes, become more agile, maintain the highest standards of service and provide increased value to our members.

2024 is an exciting year for PMI and I look forward to keeping you up to date on all of these key initiatives as they progress.

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Membership update

Your membership, what's happening?

CPD 2023

Thank you to all our Fellow and Associate members who have successfully recorded their Continuous Profession Development (CPD) for the 2023.

Did you know?

You can claim up to 7 hours CPD in 2024 for attending any one of PMI's full day events which are completely free for members!

For more information on all our 2024 scheduled events please visit our PMI events **webpage**.

Top 5 Benefits of Attending Conferences & Events

1. Represent your company. Attending external business events creates positive brand exposure and lets you spread the word about your business. Think about the kind of people you want to engage with and which PMI events you are likely to find them also taking part in.

2. Build strong relationships with face-to-face networking. An excellent opportunity to grow your network and discover exciting connections.

3. Step outside your comfort zone. A fantastic way of engaging with others in a different environment and stepping outside your daily routine. Learn new ways of doing things from others in the Pensions sector.

4. Personal Development. Invest in yourself. Attending events allows you to grow, learn and take your career to new heights.

5. Get People Energised. The energy of attending, hosting, or sponsoring a live event is different to connecting online. Events inspire people to think creatively, push boundaries, share ideas with others and increases the potential of making a real difference within the Pensions spectrum.

Why leave recording your CPD progress until the end of the year? You can log on to your My PMI member portal and update your CPD record as you attend, read, take part in training, or complete any CPD activities.

Not an Associate or Fellow member of the PMI but want to get into the practice of documenting your learning activities? Get in touch with the membership team and we can activate your CPD toolkit on your My PMI member portal. We would be happy to arrange a quick call and walk you through the features.

CPD combines different methodologies to learning, which includes training courses, seminars, workshops, conferences and events, webinars, and online eLearning programmes.

CPD encourages looking forward and identifying opportunities to learn something new, refresh existing knowledge, improve skills, or simply keep up to date with the latest developments in the Pensions sector.

PMI Student Essay Competition 2024 now open for bookings!

Build your knowledge. Refine your argumentation skills and optimise your profile within the Pensions Sector.

We are thrilled to announce that the 2024 student essay competition has been launched.

If you are studying for a PMI qualification and would like to enter this year's competition, please view our webpage below for more details including the essay title, word limit, deadlines, and handy writing tips to look out for directly from our judging panel.

1st place not only includes a whopping **£1000 prize**, but your winner's article will be published in December's edition of Pensions Aspects magazine, and you will be invited to receive your award at this year's Pinnacle Awards 2024.
Student Essay Competition - The Pensions Management Institute (pensions-pmi.org.uk)

PMI Mentoring and Development Programme 2024-25

We are pleased to inform you that People's Partnership have confirmed their sponsorship of PMI's Mentoring and Development Programme for a fifth year running.

This exclusive member initiative is now open for applications for mentees and mentors.

Do you want to boost your interpersonal skills, strengthen your knowledge, expand your network, and establish leadership skills?

To find out more and to apply please see our dedicated webpage below.
Mentoring and Development Programme - The Pensions Management Institute (pensions-pmi.org.uk)

Recommend a colleague for EPMI membership?

Know someone senior in the industry who would benefit from PMI membership?

Our Member by Experience route is designed for individuals with more than 10 years' experience in the finance sector at a senior level. For more information see our dedicated webpage.

Membership by Experience (EPMI) - The Pensions Management Institute (pensions-pmi.org.uk)

Contact us at **membership@pensions-pmi.org.uk** if you know someone who fits the profile or would like to recommend someone to join our existing pool of senior members.

Congratulations to our following members for attaining EPMI (Membership by Experience) nominal status:

Jonathan Gilmour, Partner,
Head of Derivatives and Structured Products, **Travers Smith**

"I am thrilled to have attained the EPMI (Membership by Experience) Accreditation. It is great to be accepted as a member of such an esteemed organisation which recognises individuals based on their ability and experience in the pensions sector. Working on significant legal matters in the pensions sector for well over a decade including matters relating to all aspects of investment, ESG, risk transfer and scheme funding, I have acquired experience over the years and by virtue of this membership being bestowed on me, I now have greater opportunity to help to shape the future of the pensions sector, network and be involved in thought leadership and events."
Jonathan Gilmour

Richard Packham EPMI,
Pensions Administration Manager, **First Actuarial** LLP:

"I'm so very proud to have been accepted as a member of such an esteemed professional body as the Pensions Management Institute. Having over 30 years of pensions administration experience, both in-house and as a third-party provider, it is good to have that experience recognised by the professional body for our industry. Membership through experience is a great way for those that are less academically minded, like me, to have their experience and knowledge of the industry recognised. I'm excited to be working with apprentices currently and mentoring them towards achieving their level 3 Pensions Administrator Apprenticeship (previously called Workplace Pensions Administrator). Once they have finished this programme, I will be encouraging them to continue with PMI Pathways qualifications, and possibly for them to become members themselves in the future."
Richard Packham EPMI

PMI Regional Groups – Developments in 2024

In 2023, we saw an increase in local events delivered by our PMI regional groups taking place across the country with various key topics covered by experts in the sector. Not only can you claim CPD from attendance at regional events, but this is an excellent opportunity to network with other likeminded professionals from outside of your place of work.

The regional groups and PMI are working together closely to deliver even more exciting seminars, breakfast roundtables and half-day conferences.

Don't forget to sign up through your My PMI membership portal to receive up to date news on upcoming events in 2024 within your region.

If you have a good idea for an event topic/s, want to put yourself forward for a speaking slot or simply want to get involved in supporting the work carried out by the regional group committees please contact us at **membership@pensions-pmi.org.uk**

PMI | Hear from the PMI

Hear from the PMI

A General Election provides the UK with an opportunity for a review of pensions policy in order to meet the retirement planning requirements of mid-21st Century society. In an era in which traditional career structures have changed dramatically, family units are more varied and complex than ever before, and life expectancy dramatically exceeds that of just a generation ago, policy makers are open to the accusation that our retirement model is still closely modelled on the demands of the last century.

In February, a report recommended that the State Pension Age be raised to 71 for anyone born after 1970. An ageing society has seen enormous pressures placed on the dependency ratio, with the result that almost all will withdraw from economic activity several years before being eligible to claim the State Pension. For a society that is increasingly dependent on Defined Contribution (DC) schemes for workplace pension provision, this is a worrying development.

Whilst automatic enrolment (AE) has been spectacularly successful in bringing the general public into workplace pension saving, the public continues to struggle with making informed decumulation decisions. As we move into an era in which a generation of pension savers may be seeking to decumulate more than a decade before they become eligible for the security of the State Pension, this has worrying implications. Many will have to rely on an already undersized retirement fund for longer than they had originally intended.

A thorough review of the pensions system, as proposed by the Labour Party, would do well to consider how improvements might be made to the decumulation phase. One option might be to introduce retirement-only Collective Defined Contribution (CDC) schemes as a default option for AE schemes. Perhaps CDC might also move into the Master Trust sector: AE could then operate through defaults at each stage of a member's saving journey. Members would also have the security of a lifetime pension on decumulation.

A pensions review could also consider the different ways that individuals are economically active in 21st Century Britain. Increasingly, people move between full and part-time work and may go through phases of no economic activity at all. The gig economy has seen an increase in the number of people who are self-employed. To date, our pensions system has lacked the flexibility required to adapt to these profound social changes, and there is a real danger that his will lead to significant under-provision.

Economically and culturally, 2024 sees the UK at something of a crossroads. Our pensions system requires a significant reset. A General Election provides the perfect opportunity to make one.

Tim Middleton
Director of Policy and External Affairs
PMI

PMI Academy Update

Everything starts with Pensions Administration...

Dr Keith Hoodless
Director of Lifelong Learning

According to the recent Mary Stark report Pensions Administration may become a 'regulated activity'. Never then, has it been more important for the sector to generate the professional development of Administrators throughout their careers. The recently updated CPSMG is just one of the qualifications the PMI offers that can help Administrators progress for a lifetime career in Pensions.

The CPSMG is offered by the PMI as part of its range of qualifications designed to support administrators in the pensions industry.

It is designed to enhance the understanding of the key features, benefits, and regulatory framework of pension schemes and tailored for those who may not be giving regulated financial advice but still require a deep understanding of pension schemes to support members effectively, equipping the learner with the knowledge necessary to provide clear and accurate guidance.

Objectives of the CPSMG:

Improve Communication Skills: A significant focus of the CPSMG is on improving communication skills. It aims to ensure that individuals can convey complex pension information in a way that is easily understandable by scheme members, helping them to make informed decisions about their retirement savings.

Compliance and Best Practices: The qualification also covers the ethical considerations, compliance requirements, and best practices associated with providing pension information. This is crucial in maintaining the integrity of pension guidance and ensuring that scheme members' interests are protected.

The benefits of the CPSMG:

Professional Development: Achieving the CPSMG can significantly contribute to an individual's professional development, enhancing their knowledge and skills in pensions management and member guidance.

Career Advancement: For those looking to advance their career in the pensions industry, holding a CPSMG can demonstrate a commitment to professional excellence and a deep understanding of pension schemes.

Enhanced Member Support: By improving the quality of information and guidance provided to scheme members, professionals can play a key role in helping members make better-informed decisions about their retirement planning.

Who Should Consider the CPSMG?

The CPSMG is suitable for a wide range of professionals within the pensions industry, including:

- Pension scheme administrators and managers who interact directly with scheme members.
- Customer service representatives and support staff within pension firms.

As with all PMI qualifications, staying updated on the latest pension regulations and practices is essential, and the CPSMG is an excellent way to ensure professionals are equipped to provide the best possible support to pension scheme members.

For anyone interested in obtaining the CPSMG or employers looking to enhance their team's capabilities in member guidance, the PMI provides detailed information on the curriculum, examination format and registration process on their website, or alternatively contact us at PMIQualifications@pensions-pmi.org.uk

Events

The view ahead for PMI Events 2024

PMI is hosting a range of pensions-industry-leading events for 2024. With industry specialists delivering the best insights and knowledge to flagship events such as The Pinnacle Awards, excellent networking opportunities and extensive partner exhibition and sponsorship packages.

For further details please select from the list below or see pensions-pmi.org.uk/events for the full programme.

DC and Master Trust Symposium 2024
25 April 2024 | 08:30 - 17:30

Annual Conference 2024
04 July 2024 | 08:15 - 17:30

PensTech and Admin Summit 2024
3 October 2024 | 10:00 - 14:45

Trustee Workbench 2024
12 November 2024 | 08:30 - 17:30

Pinnacle Awards 2024
TBC November 2024

ESG and Investment Forum 2024
04 December 2024 | 08:30 - 17:30

PMI Mentoring and Development Programme

Discover the transformative power of the PMI Mentoring Development Programme through compelling testimonials from current participants. Hear firsthand accounts of growth through these testimonials showcasing the benefits and invaluable experiences gained from the program.

Whether you're seeking to enhance leadership skills, expand professional networks, or accelerate career progression, these testimonials highlight why joining the next cohort is a must. Don't miss the opportunity to embark on a journey of personal and professional development.

Simon Magee APMI,
Associate Employee Benefits Consultant, Mercer Marsh Benefits

“In today's fast-paced and competitive professional landscape, the importance of mentorship cannot be overstated. Mentoring is a powerful tool that can have a profound impact on an individual's career progression. As someone who has experienced the positive effects of mentoring first hand through the PMI Mentoring and Development Programme, I can attest to its transformative power.

I signed up to the programme in April 2023 and can confirm the invaluable role that mentoring has played in shaping my professional growth in the past year. While I possessed the necessary skills and knowledge for my current role, I lacked the guidance and perspective that only a seasoned mentor could provide. Through the programme I was assigned my mentor Kevin Martin. From our early discussions Kevin brought a wealth of knowledge and experience to the table that would help me develop professionally throughout the year.

My goals for the year were to grow my network, become more confident, manage my time more effectively and ultimately target a promotion in 2024. Kevin played a pivotal role in helping me identify my strengths and weaknesses, enabling me to focus on areas that needed improvement. I feel with the guidance given to me throughout the year I have significantly developed in all areas.

The mentoring programme has been an extremely rewarding experience and I encourage every professional to seek out a mentor and embrace the positive impact of this invaluable relationship.

Tim Craddock CFCIPD,
Regional HR Director (Eastern), Network Rail

"I am an employer nominated pension trustee and a member of the PMI and have broad pension experience. My profile therefore did not necessarily fit the "template" for a mentee under the PMI mentorship scheme. But I was keen to get experienced counsel on how to develop and enhance my capability.

I was matched with an experienced, empathetic, and insightful mentor who helped shape my thinking, challenge assumptions, and encourage me to consider my broader development. He was able both to provide advice on specific technical challenges, but more importantly, on how to grow my effectiveness as a pension trustee and as chair of our scheme investment committee.

Our mentorship has developed into a friendship, and I am able to continue to draw on him for support and guidance.

I also valued securing membership of the Institute of Leadership, and studying the modules helped expand my broader domain knowledge.

I would highly recommend the mentorship scheme to anyone who wants to grow their career within the pensions industry.

Aktar Ali,
Marketing Executive, PMI

In a market saturated with self-proclaimed gurus, searching for a mentor with a wealth of specialist experience can be difficult to find.

Fortunately, I had the privilege of being mentored by Dino Dichello, Head of Internal Communications at People's Partnership. With over 25 years of diverse marketing experience, Dino was the ideal mentor to impart his knowledge and wisdom to me.

My primary goal in joining the program was to be matched with a seasoned marketing leader. With some years under my belt, I had developed the necessary skills and knowledge for my role. However, I felt the need for constructive feedback on my working methods, projects, and guidance to cultivate new perspectives essential for advancing towards a future leadership role. The mentoring program proved to be a transformative experience, enhancing my work, confidence, and self-awareness.

Throughout the program, Dino and I engaged in in-depth discussions about our career trajectories, the challenges we faced, and I gained invaluable insights into various career progression strategies drawn from Dino's extensive experience. We also worked on exercises to refine my presentation and communication skills, using different scenarios. Furthermore, Dino provided invaluable feedback on my current work approaches and examples of work, leading to significant improvements in my professional journey.

By utilising real-life examples and exercises to enhance decision-making processes, I have experienced significant growth in confidence and capability through self-reflection, enabling me to develop more effective approaches to my work and life overall. Moreover, the mentoring program has been a highly rewarding experience, and I enthusiastically encourage others to participate in future programs.

People's Partnership

Paul O'Malley FPMI,
Total Rewards Consulting – Director, Franklin Templeton

I joined as I believe having a mentor can contribute significantly to the development of a person's career and it takes just a little time to potentially make a big difference in somebody else's life. My mentee followed a very strict schedule and took the process very seriously. He obviously wishes to develop himself and further his career. I feel that his confidence grew as the months progressed and he is better able to deal with some challenges in his work. I hope the interactions have provided him with an opportunity to develop a broader perspective of his work and how he manages the various stakeholders, including his manager.

From my perspective, it reminded me that sometimes the biggest challenges in work/career can be seemingly minor points to somebody else but are a significant stumbling block if the person does not have the opportunity to discuss them with a mentor or advisor. I hope I have helped him have a happier and more fulfilling future career.

Feature Article

Getting the most out of the General Code:

avoid the box tick and be open to adding value

Robyn Cowan
Consultant,
Muse Advisory

Hana Bailey
Senior Consultant,
Muse Advisory

There's no one-size-fits-all approach to complying with the General Code. Thinking about what trustees want to get out of their review work is likely to be more fruitful than taking a tick-box approach. Being compliance-focused is no bad thing, though, and that might be proportionate for a scheme. Seeing the Code as an opportunity for reflection could lead to improved ways of working and efficiencies that add value.

Governing to achieve trustee objectives

There are elements of the ESOG requirements that schemes need to have in place and others that are TPR's expectations. A good starting point when identifying what ESOG requirements are appropriate for a scheme is understanding the trustees' objectives. Having objectives gives clarity to what's important to a particular scheme and why certain risks should be managed over others.

This will help determine what's proportionate. If compliance and paying members the right benefits on time are the only objectives, then the focus will be on ensuring governance, documentation and risk management suffices to enable that to happen. If a trustee seeks to be best in class in all it does, then the bar will be much higher and the governance and risk management correspondingly more sophisticated.

TPR has been clear that it wants schemes to enhance their governance, even if that is done incrementally and from a compliance stance.

Getting value from the work you do

Reviewing where a scheme is against the Code is an opportunity to ensure those involved in running the scheme understand the trustees' expectations, objectives and key risks, that governance is joined up and working well and that any opportunities for improvement are taken. The work needs to be done, so it might as well be helpful. Framing the ESOG review and ORA in the context of trustee objectives ensures the assessment is specific to a scheme's circumstances. The output is likely to then be more meaningful.

Code work will want to be planned at a manageable pace to fit with available resources, business planning and the meeting cycle. It's important to be pragmatic — it might feel overwhelming otherwise. Not everything has to be perfect, going through an ESOG review process and the ORA is about identifying room for improvement. TPR knows that the second ORA will be better than the first.

TPR acknowledges that many well-run schemes will be doing much of what is in the Code, however there's an opportunity to assess how well things are done in reality, how efficient processes are, how well risks are managed day-to-day.

Holding a mirror up to your current ways of working and casting a fresh pair of eyes over your governance and risk management might prove eye-opening.

Keeping up with the pace of change…

Since the General Code was initially drafted, there have been significant global changes. Evolving investment landscapes, societal changes, shifting demographics and new technological advancements (and corresponding dangers); it's not a surprise that the Code emphasises the adoption of best practices in data management, cybersecurity and digital communication and incorporates guidance on climate change and Equity, Diversity, and Inclusion.

The Code provides a chance to review if a pension scheme's governance has moved with the times. Is sufficient time being spent on cyber risk? Are outsourced providers being managed in the right way given the supply chain risk? Is technology being harnessed to embed efficiencies, e.g. online meeting management or risk management tools?

But checking on the basics…

Unsurprisingly, given much of what's in the General Code was in existing Codes of Practice, there's not much that should come as a surprise, albeit some areas like risk management are enhanced. It does remind us of the importance of the fundamentals of pension scheme management – good data, strong internal controls and maintaining clear and transparent channels of communication with members, ensuring that they are well-informed about their pension benefits and how to access them.

A well-informed trustee board, with a good awareness of its strengths, behaviours and priorities can better serve its membership and be equipped to face future challenges. Whilst the Code wants trustees to look at how they currently manage their schemes, it also wants them to be forward-looking and resilient in the face of emerging risks and the next big incident.

Forward-thinking

If scheme circumstances change, objectives may change and risks will evolve, so what constitutes effective governance now, might look very different in three years' time, hence the need to complete an ORA triennially. It's possible the Code itself may also evolve.

Whatever work you do now to review and assess your ESOG and risk management should enable you to embed good processes that are repeatable for the future. The outputs should lay the foundation for future improvements.

As members of the pensions industry, it's our responsibility to leverage the General Code to enhance governance, as incremental and small as that might be, initially, for some, it's in the best interests of members. If a change resulting from Code review work leads to better decision-making or a key risk being prevented from crystallising at just the right time, that can only be a good thing.

Feature Article

'The great wellbeing walkout'

Retention set to be 'colossal issue' in 2024 as 3 in 4 firms neglect employee morale

Sarah Bergin-McCarthy
MD, Sammons Pensions Recruitment

Our 2023 Annual Salary Survey, 22nd edition, provides detailed insight into market trends, drawing on invaluable contributions from industry professionals sharing specific data and views coupled with our industry knowledge, to provide bespoke benchmarking, insight and recruitment advice.

Market overview

As we welcome 2024 with cautious optimism, the Recruitment & Employment Confederation (REC) Jobs Outlook December 2023 shows employer confidence around hiring increasing. Uncertainty around the economic outlook continues to impact hiring decisions at the start of 2024, upturns in permanent and temporary candidate numbers cooled from December. Competition for staff with desirable skills and the rising cost of living underpinned further increases in starting pay.

The Bank of England Monetary Policy Report – November 2023 reported inflation slowing, but they will keep interest rates high enough for long enough to get inflation back to the 2024 2% target. Against a backdrop of subdued economic activity, employment growth is likely to have softened over the second half of 2023. Persistent skills shortages remain in some sectors.

Deloitte UK CFO Survey Q4 2023 reported sentiment among UK CFOs rose for the second consecutive quarter and is running at well above average levels, with respondents expecting price and wage pressures to soften over the next two years.

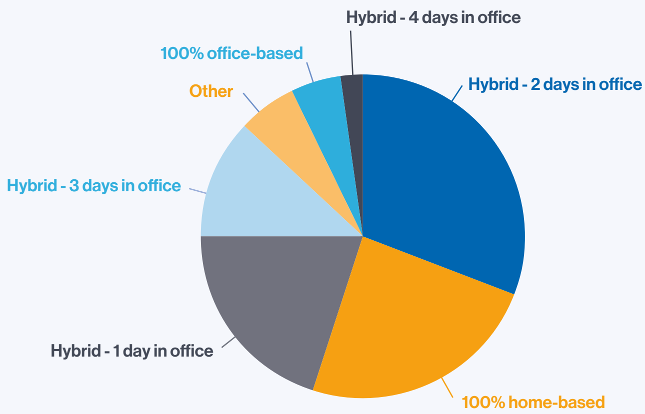
According to the Resolution Foundation, 2024 is going to be messy for living standards. The past two years were dominated by rising energy and food bills, higher interest rates made households better off in 2023 – higher returns on savings outweighed higher mortgage bills. The reverse is true in 2024, 1.5 million mortgagors seeing annual bills rise by an average £1,800. Millions of renters will face big hits. Frozen tax thresholds mean tax rises (or no change) for the bottom half. British households will, for the first time on record, be poorer at the end of a parliament than at its start.

Major challenges facing the Pensions industry according to respondents:

Feature Article

Typical working pattern per week

Hybrid two days office 31% respondents, 23% home based, 20% one day office. Reported benefits of home working include increased productivity by eliminating commuting time and office distractions versus isolation and missing out on promotion. Studies show promising results for hybrid, especially for those who enjoy face-to-face interactions and the excitement of office. Many companies are working hard to support working patterns to meet needs of both the business and its employees, reaping benefits of Diversity & Inclusivity initiatives.



How are market conditions impacting your business?

60% respondents reported greater pressure on budget and increase in employee workload. Finding quality candidates, increased counteroffer activity and salary expectations regularly cited. To overcome recruitment issues 70% reported work redistributed amongst team. Disengagement from increased workloads featured regularly.

Excerpt from overall industry salary breakdown by sector and specialism

In-House	London	South East	Midlands & South West	North & Scotland
Junior Pensions Administrator	£20-25k	£20-25k	£20-25k	£20-24k
Pensions Administrator	£23-47k	£23-45k	£23-35k	£23-35k
Senior Pensions Administrator	£30-62k	£27-45k	£27-42k	£22-42k
Team Leader	£40-53k	£32-50k	£32-47k	£32-45k
Administration/Operations Manager/Director	£50-150k	£50-150k	£45-100k	£45-125k
Assistant Pensions Manager	£45-70k	£40-65k	£37-60k	£37-60k
Pensions Manager	£40-130k	£40-90k	£45-105k	£45-110k
Group Pensions Manager	£55-180k	£50-175k	£55-160k	£66-145k
Pensions Director (UK wide)	£120-400k			

Consultancy/Third Party	London	South East	Midlands & South West	North & Scotland
Junior Pensions Administrator	£20-25k	£20-25k	£20-24k	£20-24k
Pensions Administrator	£23-34k	£23-34k	£22-32k	£22-32k
Senior Pensions Administrator	£32-45k	£32-42k	£28-37k	£28-37k
Team Leader	£42-53k	£38-50k	£36-50k	£38-50k
Administration/Operations Manager/Director	£50-160k	£50-160k	£50-135k	£45-160k
Trainee/Assistant Consultant	£30-55k	£30-55k	£30-50k	£28-50k
Consultant	£48-75k	£45-75k	£45-65k	£40-65k
Senior/Lead Consultant/ Partner	£65-400k+	£65-400k+	£65-400k+	£60-400k+
Client Manager/Director	£50-105k	£45-105k	£45-100k	£45-100k
New Business Consultant	£40-100k OTE £100k+	£35-85k OTE £100k+	£35-95k OTE £100k+	£35-80k OTE £100k+

Is your salary in line with the market?

66% respondents advised no/unsure. Majority pay rise 5-5.9%, 3-3.9% 2022, less than 1% received 0%. Total Jobs reported 33% of businesses are gearing up to raise salaries and bonuses in the early months of 2024, staff retention emerging as a top priority, the allure of higher salaries elsewhere accounting for 29% of departures. Retention strategies include reviewing benefits and rewards, assessing training opportunities, investing in innovative technologies, offering flexible working arrangements. With candidate searches up by 85% compared to last year, companies aiming to expand their reward and retention efforts can anticipate a robust pool of candidates.

Do you feel your employer could be more transparent with salary information internally/externally?

59% agreed. ONS reported among full-time employees a 7.7% gender pay gap April 2022. An open and transparent approach to compensation can go a long way toward building a culture more resistant to discrimination.

How could your benefits package be improved?

Factors valued most highly: Salary, work from home, variety of position. 41% feel their benefits are uncompetitive/unsure. Key benefits sought: Dental and Bonus.

For 2024, to attract and retain staff it is imperative to ensure employee benefits, compensation and perks as well as ongoing development and training are in place to keep employees supported and engaged, with flexible benefits packages that consider the emotional and financial wellbeing of employees.

Why change role?

32% reported being less engaged, 41% neutral. 17.4% changed roles in 2023, salary, new challenge and career progression scoring most highly, followed by location/ability to work from home, part-time/work-life balance and corporate culture.

What are the most popular qualifications to hold?

19% confirmed employer support study with incentives between £100-£2500 per exam, study leave 0-24 days per exam. Trustee Toolkit was the most frequently reported, closely followed by FPMI, FIA and APMI. APMI/ADRP most popular to be studying, along with FIA and CPC. The high number of responses in this section annually demonstrates the continuing regard in which professional qualifications are held in this industry.

Conclusion

The high numbers of participants in this survey each year is an indication of the considerable challenges industry professionals continue to face, whilst ensuring delivery of long-term, effective, sustainable pensions provisions.

We had a fantastic response to our annual survey and thank all participants. For further findings or benchmarking please contact the Sammons Pensions Recruitment team.

Feature Article

Politics and policy bring challenge and opportunity for DB schemes

Bob Campion, CFA
Head of Fiduciary Management, Charles Stanley Fiduciary Management

Like it or not, defined benefit (DB) pensions schemes' decision-making is influenced both directly and indirectly by politics and policy. Investment strategies, the strength of the employer covenant – even DB scheme members' financial wellbeing in a cost of living crisis – can all be affected by macroeconomics and the wider influence of government policy.

We are now in a general election year, with new potential uncertainties for the economy and pension schemes. Whichever party wins will need to make tough decisions about fiscal policy, based on tight spending plans. That could have knock-on effects for society, business and the economy. It's unlikely that those decisions will result in sudden financial shocks, but over the longer term, pensions policy and markets will inevitably be influenced by the aims and ambitions of a new government.

Trustees still trust LDI

Perhaps the most obvious area where politics impact pensions is through the macroeconomic environment and markets. As we saw in October 2022, government action can disrupt market performance in the short term, with longer-term impacts on schemes' portfolio construction. The gilt price collapse impacted all schemes, proving a stern test of LDI strategies as well as giving some a sudden and unexpected boost to funding position.

The longer-term impact of the crisis on trustees' portfolios is interesting. Despite the challenges faced by LDI strategies during the crisis, our professional trustee survey showed that 72% of schemes are still confident in LDI as a strategy – although 85% said that they have either changed their LDI manager or plan to.

Our survey also found that other impacts from the crisis include increased appetite for hedging scheme liabilities. More than half of respondents said they are now more inclined towards hedging. Almost three quarters (72%) of trustees also said that they are now more likely to adopt fiduciary management in their schemes.

Rethinking long-term plans

Our trustee survey found that schemes have also paused to reconsider their long-term funding targets (LTFTs) over the last 12 months. More than half (56%) of schemes that have already set, or plan to set, a LTFT said that they have reassessed their options. This perhaps reflects market volatility, improved funding positions and possibly changing sponsor needs. We saw a 140% increase in schemes planning to buyout with an insurer as an LTFT, and a fall of 60% in schemes opting for self-sufficiency.

Charles Stanley Fiduciary Management was involved first-hand in an example of how a sponsor's changing focus can redefine a scheme's LTFT, with a positive outcome for the scheme, sponsor and members.

Case study: scheme X

Scheme X was a long-standing Charles Stanley client, with around £10m in assets under management. We started working with the scheme in 2018 as a full service fiduciary management client, adopting a 12-year flight-plan targeting self-sufficiency by 2030.

Scheme X made good progress on its flight-plan and was ahead of target when in February 2021 its sponsor announced an imminent merger and acquisition (M&A) transaction. The sponsor would immediately fund the deficit needed to carry out a buyout, provided the trustees were able to secure a transaction before the M&A deal closed.

That gave Charles Stanley and the trustees just nine weeks to project manage a buyout transaction. The announcement triggered a series of urgent meetings with the trustees, scheme sponsor and scheme advisers to establish next steps and see if the scheme would be able to take advantage of the sponsor's offer. Our role was:

- Supporting the trustees to appoint a formal buyout adviser
- Providing urgent strategic advice to re-organise the portfolio for buyout awareness, with our investment teams executing the changes within four weeks of first notification
- Providing draft paperwork for signed instructions during the process to minimise legal fees and ensure quick progress
- Liaising with advisers, monitoring the scheme's funding position and tracking the progress of the transaction
- Using our independent links with buyout providers, to identify potential partners that would be able to transact at short notice and offer an appropriate deal for the scheme
- Once we had agreed terms with a buyout provider, we worked with the trustee to liquidate the scheme and make the final settlement directly with the insurer.

Despite the intense time pressure, the buyout process was completed to the satisfaction of the sponsors and the trustees, and the M&A activity went ahead as planned.

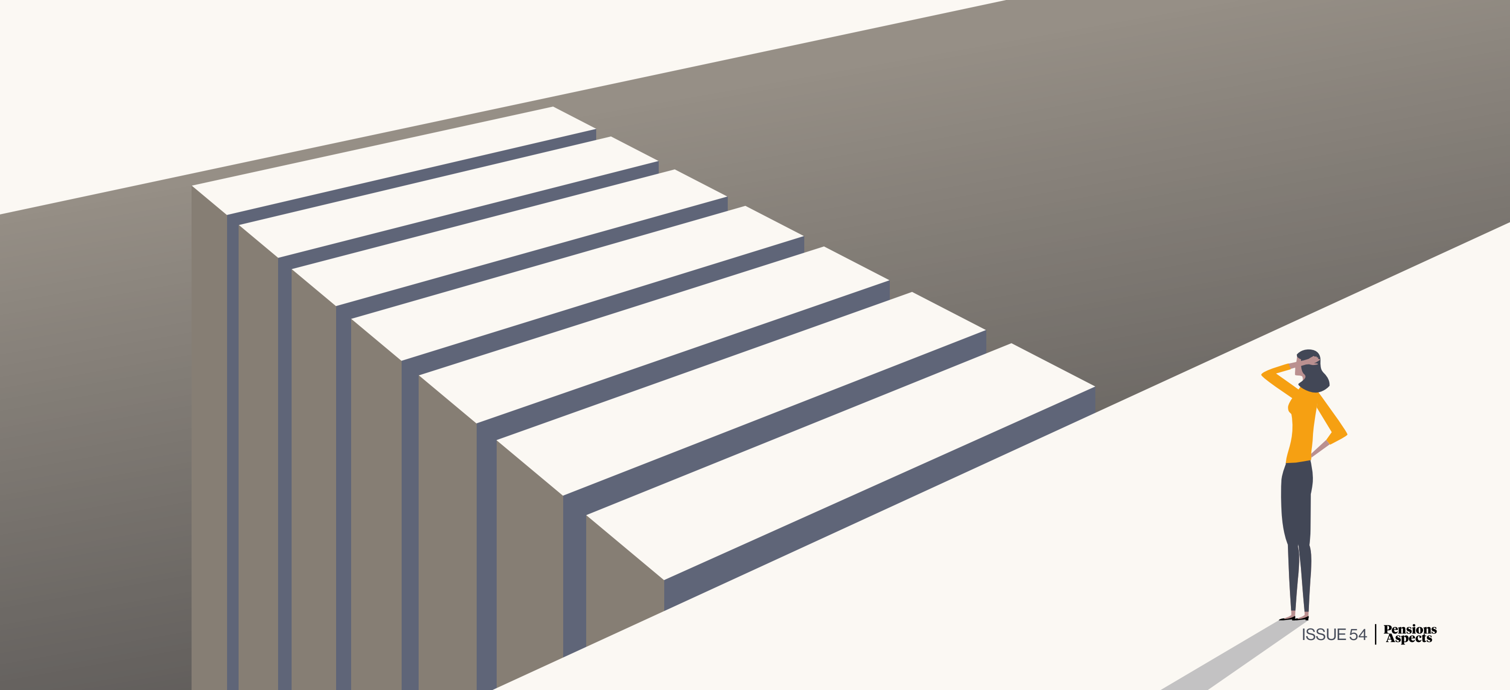
Scheme X's experience shows how a sponsor's business ambitions can heavily influence the future direction of a scheme. Trustees will always have to balance the needs of members alongside those of the sponsor, but with appropriate decision-making structures the outcomes can be positive for all parties.

The last 18 months have shown that there is always the potential for unforeseen shocks from politics, policies, and sponsors' plans. That can mean trustees have to quickly rethink journey plans and LTFTs, to address risks and take advantage of new opportunities. Having the right advisers in place, such as working with a fiduciary manager, can ensure that trustees remain on track through any period of change.

For more information on Charles Stanley, our fiduciary management and buy-out services, and how we can help your pension scheme visit **www.charles-stanley.co.uk/fiduciary-management** or call 020 3733 1522 to speak with our Fiduciary Management Team.

The value of investments, and the income derived from them, can fall as well as rise. Investors may get back less than invested. Past performance is not a reliable guide to future returns. Charles Stanley & Co. Limited is authorised and regulated by the Financial Conduct Authority.

CHARLES STANLEY
Fiduciary Management



Feature Article

The Debunk of Volatility Drag

(and its Implication for Pensions Policy)

Michael Nicolaou
Formerly Interim Treasury and Pension Fund Consultant, London Borough of Waltham Forest

The notion that volatility actively suppresses long-term investment performance, often referred to as volatility drag, is in contrast to traditional finance theory. Michael Nicolaou looks at why volatility drag is not real.

The belief that volatility defines a drag on investment performance is a persistent one. It has been adopted by some leading fund management houses while investment strategists often use a phraseology that to a lay person suggests validation. It has also been given credence by, among others, the then chief investment officer of now one of the largest pension funds, and with the increase in defined contribution schemes and pensions drawdown (DC), it is sometimes thought to have taken on extra relevance.

This belief is commonly justified by reference to volatility drag, that is defined as the difference between the arithmetic and geometric mean investment returns. But while volatility drag is associated with several assertions, some with an element of truth, the interpretation that volatility drags on investment performance, actively suppressing long-term returns and ending wealth, is not correct.

Consider a hypothetical stock. A popular variant finds a "volatility drag" in the logic that a 5% fall requires a 5.26% return to recoup that loss. The deemed 26 basis point "volatility drag" increases as the fall is deepened and the required return to breakeven grows exponentially.

A leading fund management house believes "volatility drag" helps justify a key focus on volatility mitigation, which it regards as being fundamental to the long-term performance of its target date funds. The investment chief of a popular pension fund infers similarly, not least because of a belief that "volatility drag" means the returns from volatile assets are probably not sufficient to reward the risk.

However, volatility drag is not real. This follows from our example where the loss simply offsets the gain. There is no drag on performance.

Volatility drag assumes the returns in our example are arithmetic. But the industry standard defines these as geometric, often summarised by way of a geometric mean or compound annual growth rate.

This does not mean that markets are necessarily efficient, or that volatility is not an important consideration in portfolio construction. It also does not mean that volatility cannot be used to help inform expected returns. Simply that volatility does not actively suppress long-term investment performance.

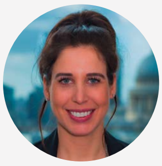
It follows that volatility drag does not compound the order of returns risk (path dependency) on ending wealth. Moreover, the recent sharp rise in bond yields and inflation suggests the approach to lifestyling by some default funds is likely to have been sub-optimal for many members in vintages close to retirement, since not all will likely choose the same retirement option(s). It is a reminder of the importance of selecting the right risk mitigation. And of having this in place at the right time.

This highlights that a focus on volatility mitigation is not always the same as a focus on portfolio efficiency. In addition, determining the efficient frontier is now complicated by behavioural risks more generally under current DC.

Therefore, while volatility drag does not undermine "buy low, sell high", current DC does. The implication for pensions policy follows: the government should revoke freedom and choice to help make UK Plc a more attractive place for direct and indirect investment and give consumers the opportunity to enhance their retirement outcomes. The Mansion House Reforms were a missed opportunity.

Insight Partner Article

Pot for Life – what do savers want?



Britt Hoffman-Jones
Head of DC and Retirement Solutions, Schroders Solutions

The Government has asked whether DC pension savers should have the right to choose a "Pot for Life". Some are concerned about this, worried that savers won't know what to do. The irony is the current system doesn't pay too much attention to savers – a pot for life could put them back at the heart of the pensions system.

Pensions are suddenly sexy, at least for policy makers. In the 2023 Mansion House speech and Autumn Statement a range of ideas for reform were suggested across the pensions spectrum. Think Tanks are weighing in. And there has been much debate in the industry and in the press.

Arguably the most radical idea comes from the Government's Call for Evidence on a "Lifetime Provider" model for DC pensions – otherwise known as a "Pot for Life". Rather than employers choosing who provides the savings vehicle for their workforce – employees would be given the right to choose where their pension contributions go. This sounds simple, but it would fundamentally rewire pensions in the UK.

And is it a good idea? Many are not sure. Critics worry we'd be abandoning the very principle that has made auto-enrolment work. For this group the system is built on the fact that people don't have to do anything. Without lifting a finger, they're enrolled into a pension that their employer pays into. Behavioural economics tells us that 'inertia' – the natural tendency for people to take the path of least resistance – can be a powerful force. Critics don't think we should disrupt this by giving people choice over their pension. Some are worried people will make bad decisions. Swayed by glitzy marketing they might move their money from a well-performing scheme to a badly performing one. Others make a different point that people simply won't bother to choose. We will never get people to really engage with their pensions.

There is merit to all these concerns. And it is undeniable that since the introduction of auto-enrolment pensions saving in the UK has increased markedly, with over 18 million active savers in DC and assets exceeding £500bn. However, we think these concerns somewhat overlook the problems with the current system. Yes, more people are saving, but are these savings going to deliver the quality of retirement people are hoping for? We're not sure.

Let's start with small pots. The current system ensures employers save into a scheme for their workers. But with workers changing employers much more often many people are ending up with many small pots. The average worker today will work for 12 different companies in their lifetime. That's 12 pension pots. Add this up and there are already over 12 million pots with less than £1000, and this number is growing all the time. This matters because, all things being equal, small pots don't perform as well as larger ones. The logic of a "Pot for Life" is in part just that, that it will help people keep their savings together in one place.

Next let's look at price. DC pensions are getting cheaper, and that sounds good, right? No one should pay too much for their pension, but does "cheap" always mean "quality"? You wouldn't always buy the cheapest product on the shelf, and we think pensions are no different. In April 2015 the Government introduced a cap on how much savers can pay, set at 75bps of the money they've saved. This means no one can be charged an unreasonable fee whatever model we choose.

[1] https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/corporate-plans/tpr-strategy-pensions-of-the-future

[2] Zippia 2023

[3] Ending the proliferation of deferred small pots - GOV.UK (www.gov.uk)

[4] Schroders Estimate based on a 15% allocation to private assets over 20 years of accumulation.

But market forces are driving the price for UK pensions ever downwards. Despite the 75bps cap we regularly see deals where only 5bps are allocated to investment. To put that into context, if you have £1000 saved in your pension, you would be paying someone only 50p to manage your investments. Aside from the day-to-day management, what type of investments? Where? Publicly traded or private? We don't think 50p goes very far at all. For example, an allocation to private investments would breach this budget, but could improve returns – up to c.£700 per year more in retirement – and could far better reflect someone's sustainability and impact preferences. So why do we assume that members all want cheaper options?

And that's the point. In pensions right now, no one really asks what savers want. They might not care. And that's fine, no one is suggesting there shouldn't be good quality, automatic options for people who don't engage. But we think some people do care. And they may be more likely to care at different stages of saving e.g. as they start really thinking ahead to their retirement. At this point they might want a stronger say in how their money is invested. They might want to choose.

But in the current system they're not asked, and to be frank the saver's voice, the person the system is there to serve, is not heard very loudly. Would people really choose based only on price? We don't think so.

Giving people choice could help change that. Realistically, choice is unlikely to move the dial on its own, but it could make a difference alongside a range of other measures – many of which are already being considered (like the new Value for Money framework).

Changing the pensions system is complicated and should always be done with care. But we think the Government has asked an important question, and we need a better conversation about why pension savers are not right at the heart of the current system.

Month in Pensions: Legal

The continuing, and increasing, case for public engagement in the changing pension landscape

Jack McCahill
Associate, Sackers

For the majority of people (except, perhaps, for the readers of this article) pensions are neither exciting nor interesting. This probably comes as no shock; lack of member engagement has been a longstanding issue in the pensions industry, with various campaigns employed over the years to try and address this. A personal favourite is the rather appropriately named 'Workie' who graced our television screens from 2015 to raise awareness about workplace pensions and auto-enrolment (worth an internet search if this was before your time).

Despite Workie's (and others') best efforts, studies have consistently shown the public's interest in and knowledge of pensions remains low. Perhaps this is because pensions are seen as complicated (rightly so) and boring (understandable), or perhaps it is because it's something that affects one's future self, which, for some, is many years away.

Whatever the reason(s), the problem for the majority of pension-savers today is that the evolving pensions landscape is making it increasingly important for them to understand and engage with their pensions.

Gone are the days of gold-plated DB pensions in the private sector. Instead, we have moved towards the DC model of pension savings, where responsibility and risk fall on the member, which necessitates a higher level of understanding and action, both in the accumulation phase to ensure enough is being saved (if at all possible) and decumulation phase to ensure those funds last and are used in the most appropriate way. Without careful management (perhaps even with it) the DC model cannot, in many cases, match the heady heights of the DB golden era and sustain a comfortable retirement for the majority.

What steps have been taken to improve the prospects of the DC generation?

There is no doubt that the long-standing problem of member engagement is considered important. Increasing disclosure requirements and regulator guidance make clear that members should be informed about their pensions regularly. Despite this increase in information, engagement remains limited.

Perhaps then, this is why initiatives to evolve and reform the DC model and pensions industry itself have been the priority, including:

- the introduction, and expected expansion, of auto-enrolment
- a drive for the consolidation of small deferred DC pots, and consolidation of schemes as a whole
- ongoing expansion of governance requirements (eg the new General Code), and
- increasing pension flexibility and decumulation options for members.

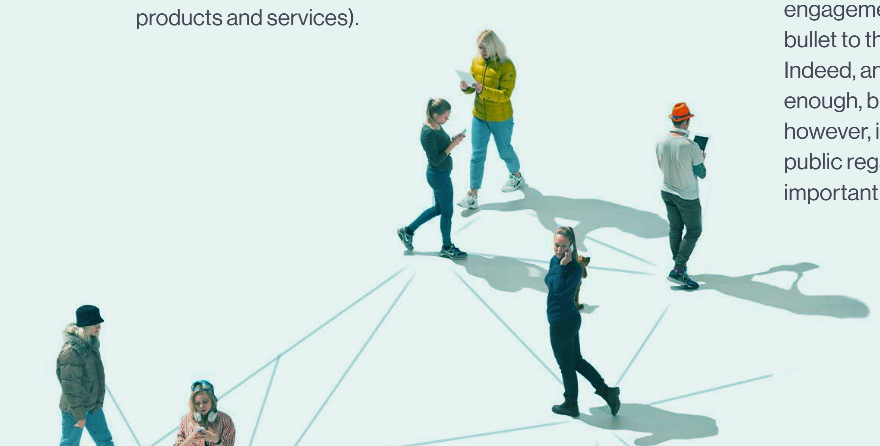
The intention is clear – get more people into pensions, ensure their schemes are well run, and provide a range of options at retirement.

What can member engagement do to help?

Consistent improvement and reform is, of course, important, but member engagement and understanding is needed to unlock the potential of the available options, and help inform further industry developments. For example, increasing options on retirement is of limited use if members don't have knowledge of what they mean or how to use them.

Increased engagement also has the potential to:

- allow individuals to better understand how much they need to be saving, and better plan for their retirement
- allow individuals to make more informed decisions regarding the pension benefits offered by employers
- assist employers in understanding what their workforce wants, and develop benefit packages accordingly
- provide greater clarity and insight for those developing public pensions policy
- increase 'ballot box pressure', resulting in increased incentive to address public policy and legislate to further address concerns, and
- allow individuals to better understand and utilise options already (or soon to be) available (eg DC decumulation products and services).



How can we improve member engagement – back to 'basics'?

We know from the issues with member engagement experienced to date that member communications filled with technical information and jargon are not the answer. Industry research shows the most successful member communications are those written in a positive, condensed and friendly manner, and accessible in various formats. Many providers/schemes are investing time and money to improve their communications to reflect this.

Bettering presentation of information does however skip quite an important step – increasing the base layer of understanding of pensions. With all the good will in the world, information, however well written, will not assist members in making important decisions if they do not understand (or, indeed, read) it.

Increasing wider public understanding of pensions, of available pension options, but also of *why* they need to actively engage with planning for retirement (they may not have enough to retire on, may have to work longer, and so on) will assist members in having the tools they need to interpret the increasingly complex pensions world, and give them the confidence and incentive to take action.

This could come from a number of sources. From top-down government information campaigns, whether that be via multimedia, or engagement initiatives in schools and the workplace, to 1-2-1 employer/employee sessions.

Where do we go from here?

The idea of getting people interested in pensions is easier said than done (just ask Workie). And, of course, knowledge of and engagement with pensions from the masses is by no means a silver bullet to the issues the future generations of DC pensioners face. Indeed, an individual might understand that they are not saving enough, but may not have the means to address it. What is clear, however, is that, in the DC landscape, engaging and educating the public regarding planning for retirement is becoming ever more important and needs to be prioritised.

Month in Pensions: Admin

The General Code: keep calm and carry on

Christine Kerr FPMI
Principal and Senior Pension Management Consultant, Barnett Waddingham

Barbara-Ann Thompson FIA
Partner, Barnett Waddingham

In March 2021, the draft 'single' code of practice for pension scheme governance generated excitement for its potential to raise standards. Trustee enthusiasm for reviewing and improving governance structures persisted beyond the initial buzz, driven not only by the code but also by the recognition that robust governance enhances risk management and outcomes.

Now, almost three years later, the final General Code of Practice has arrived. Despite delays and distractions like the Covid-19 pandemic, cyber incidents, and LDI investment issues, the importance of effective governance has only grown clearer. Many schemes have made substantial progress during this waiting period, demonstrating a sustained commitment to governance.

What's changed?

The final General Code doesn't differ significantly from the draft version; most changes are minor formatting adjustments and clarifications. Notably, the Own Risk Assessment (ORA) requirements have been integrated into the Effective System of Governance (ESOG), streamlining processes. Both ESOG and ORA are to be reviewed every three years or in the event of a material change to the scheme, ensuring ongoing compliance and risk management.

Enhancements include clearer guidance on areas such as environmental, social, and governance (ESG) factors, scheme continuity planning, and cyber controls. There's also increased emphasis on diversity, equity, and inclusion (DEI) in governance.

Next steps

For trustees, the next steps involve reviewing existing arrangements against the final General Code, identifying gaps, and creating action plans. It's crucial to maintain proportionality in governance efforts and to avoid treating compliance as a one-time task. Good governance requires ongoing integration into practice and trustee training. You don't have to deal with everything all in one go, just make sure you have a timetabled action plan.

For those unsure where to begin, a systematic approach is advised:

- identify where your gaps are – and which are important to the scheme;
- make a plan of how to address these over time;
- be clear about who is responsible for what;
- identify and secure resources;
- engage with the sponsor;
- monitor progress against your plan;
- embed new processes;
- consider trustee training needs; and
- review outcomes.

Overall, the message remains consistent: prioritise effective governance, adapt to the General Code requirements, and view compliance as an ongoing journey rather than a destination. If you'd like further guidance on this topic, visit our General Code Hub.

Month in Pensions: Actuarial

McCloud – How realistic is the implementation timetable?

Sue Vivian
Public Service Pensions Consultant, First Actuarial

Legislation to reverse the age discriminatory aspects of the 2014/15 public service pensions reforms was a long time in the making – almost five years following the 2018 McCloud judgement. It includes an Act of Parliament, scheme-level regulations, tax regulations and HM Treasury directions. The scale of the legislation reflects the complexity of the remedy. Implementation – over an 18-month window, starting in October 2023 – is proving to be challenging.

On the surface, the remedy looks straightforward. Scheme members affected choose between pre and post reform benefits for the period of discrimination. In most cases, they'll make that choice when a benefit first becomes due for payment, by which time they'll have received a Remediable Service Statement (RSS) to help them. To present members with a simple comparison at retirement, the RSS could combine the remediable service benefits with other benefits.

The challenges of secondary choices

Much of the complexity lies with secondary choices, which need to be made before benefits can be determined.

Some members opted out of their scheme because of changes introduced by the reforms – for example, increases to the Annual Allowance tax charges or to the associated member contribution rate. Those members can now apply to opt back in. However, some schemes have yet to put an application process in place.

Some reform schemes offered options such as the ability to 'buy-out' early retirement reductions. Because these do not readily translate to legacy scheme entitlement, members will need refunds or, in some cases, an option to buy additional legacy scheme pension. Some schemes have started unravelling these options, but there's a long way to go.

Until schemes have completed all their secondary choice exercises, they'll be unable to work out members' new benefit entitlements and issue RSSs.

How much real progress has been made?

Despite the hard work underway to deliver the McCloud remedy to the millions of affected members, evidence of real progress is scarce, while anecdotal reports of confusion, delay and blame are plentiful.

Given the scale, manual workarounds seem untenable, especially with the process and system changes needed to implement the remedy across the membership. And let's not forget the 100,000s of members who have already taken benefits and whose entitlements need to be revisited. Or the challenges for both administrators and members of unpicking the associated pension tax charges.

Member communications are yet another issue. Some schemes have produced excessively detailed quotation packs, in which they've buried the core information members need to make choices. These communications will need substantial simplification to support delivery of remedy over the long term.

At this critical stage, scheme administrators should be engaging specialists to clear the obstacles that stand in the way. Unless they do that, the 18-month implementation window may prove highly optimistic.

Feature Article

The Stark reality is further regulation...

.... will this work for pensions administrators?

Keith Hoodless FCCT, FRSA
Freeman of the City of London, Director of Lifelong Learning

Pension scheme administration should offer the assurance that individuals will have access to sufficient financial resources to live comfortably in retirement, without excessive worry about running out of funds.

The concept of retirement security needs also includes the ability to cover unexpected expenses and the assurance that individuals can maintain their standard of living after they stop working.

If we are to provide this safety net through public pension systems but also fostering an environment where saving for retirement is encouraged and protected, ensuring that all individuals have the opportunity to secure their financial future in retirement, then we need better qualified people operating in that system, a better transparency of what good operation looks like and a better understanding of what it looks like at the point of retirement.

Of course the focus will always be on trustees, and in fact the regulator goes as far as suggesting recently that we need to consider 'consolidation to help shape the market towards fewer, larger well-run schemes that are capable of investing in a diverse range of assets' and as part of that we have 'highly qualified trustees, who are willing to challenge advisers to do better and make sure all savers get the best possible returns for their pensions' – we are yet to see what this looks like, but it is suggestive of further and a greater than seen before, level of regulation.

As a supporting cast member approach to this there is also the Mary Starks report which comments on the regulator being 'broadly well-run and well-regarded', indicating 'the DWP should assess the case for bringing administrators into formal regulation.'

What would this mean and what would it look like – well let's look a little closer...

The debate on whether pension administrators should be brought under formal regulation is not new, but it is both timely and critical, given the central role pensions play in the financial security of retirees for the society we are in right now. This discussion spans multiple dimensions, including the protection of beneficiaries, the efficiency and integrity of pension management, and the broader implications for the financial system. Let us explore the arguments for and against bringing pension administrators into formal regulation, aiming to provide a comprehensive analysis.

The Case for Formal Regulation

Enhanced Protections for Pension Beneficiaries

One of the primary arguments for regulating pension administrators is the protection of pension beneficiaries. Formal regulation can establish rigorous standards for fund management, ensuring that administrators act in the best interests of beneficiaries.

Increased Transparency and Accountability

Regulation can mandate regular reporting requirements and disclosures by pension administrators, enhancing transparency and accountability. Beneficiaries would have clearer insights into how their pensions are being managed, the investment strategies employed, and the performance of their funds. This transparency is crucial for building trust and confidence in the pension system.

Standardisation of Practices

The lack of standardisation in pension administration can lead to inconsistencies and inefficiencies. Formal regulation can establish uniform standards and practices across the industry, ensuring a baseline level of service and protection for all pension plan members.

Consumer Confidence and Systemic Stability

A well-regulated pension system can bolster consumer confidence and contribute to the stability of the financial system. Knowing that pension administrators are subject to oversight and compliance with regulatory standards can reassure the public about the security of their retirement savings.

Challenges and Considerations in Regulation

Regulatory Burden and Costs

Implementing a regulatory framework for pension administrators is not without its challenges. Compliance with regulations can impose significant costs and administrative burdens, particularly on smaller pension schemes. These costs could potentially be passed on through higher fees.

One-Size-Fits-All Approach

Pension schemes vary widely in their structure, size, and the implementation of investment strategies. A one-size-fits-all regulatory approach may not be suitable for the diverse landscape of pension administration.

Global Considerations

For pension schemes that operate internationally, navigating a patchwork of regulatory regimes can be complex. Global pension administrators may face challenges in complying with varying regulations across jurisdictions.

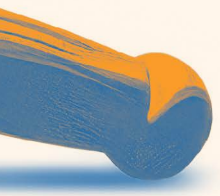
Moving Forward

The decision to bring pension administrators under formal regulation involves weighing the benefits of enhanced protections and transparency against the potential costs and challenges of regulatory compliance. A nuanced approach, possibly involving tiered or scalable regulations that reflect the diversity of pension schemes, may offer a path forward, but it will take time.

Moreover, ongoing review and adaptation of regulations will be essential to respond to evolving market conditions and the changing landscape of retirement planning. Technology and innovation in financial services offer new opportunities for improving pension administration and oversight. Regulators and policymakers should be open to leveraging these advancements while ensuring that the core objectives of protecting beneficiaries and ensuring the integrity of the pension system are met.

The question of whether to bring pension administrators into formal regulation is not therefore a straightforward one, and as always the PMI is here to help you as a sector partner in the process, offering insight, education, training and qualifications to help you navigate the murky waters.

What is clear though is that a thoughtful, stakeholder-informed approach to regulation could provide the framework needed to secure the financial futures of retirees while fostering a vibrant, efficient pension system.



Feature Article

EET: Twins are different

Dr. Nickolai Slavchev, PhD in International Economic Relations, Member of the Standing Social Commission at the National Tripartite Council, Bulgaria

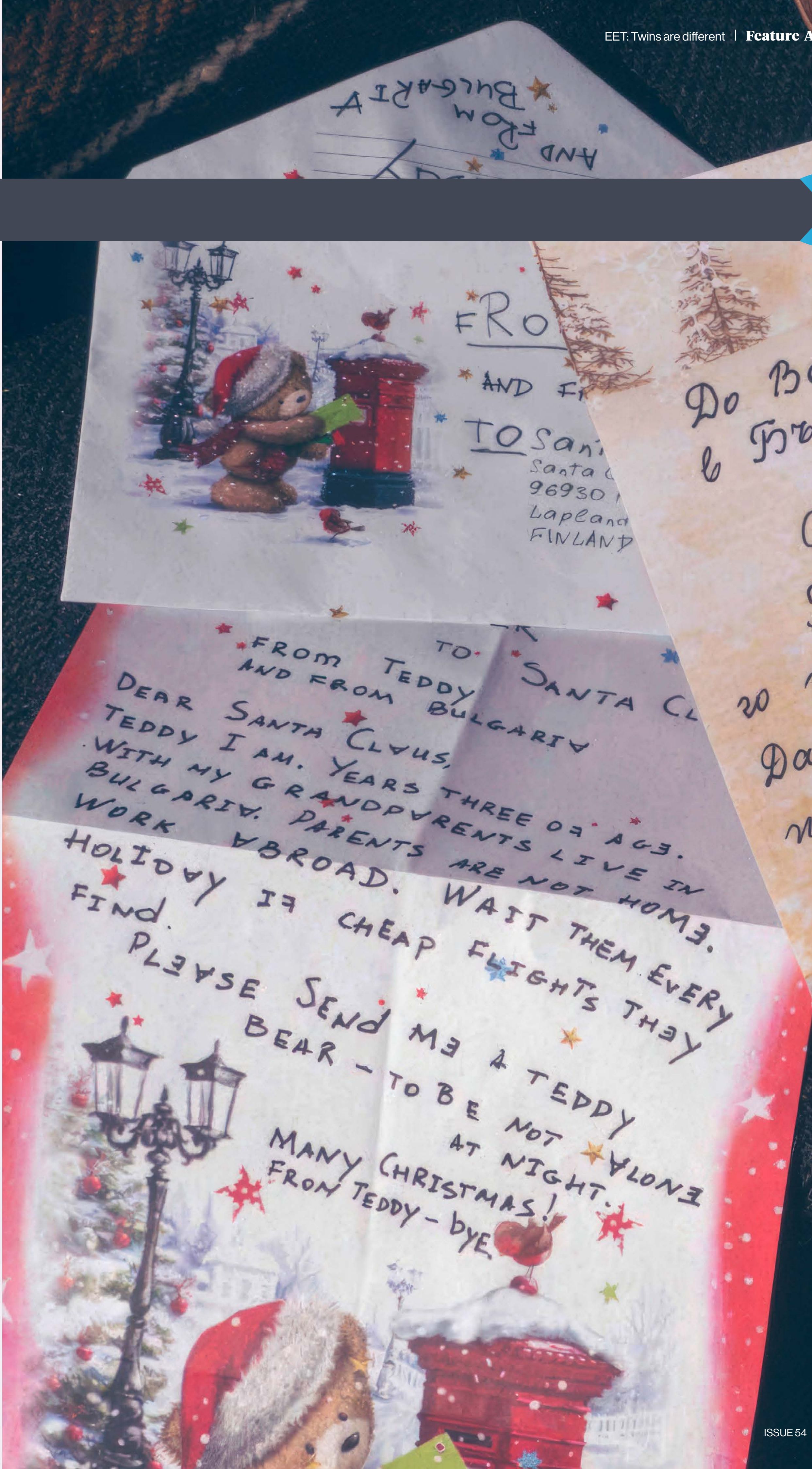
When the EU-accession generations from CEE countries were young, they used to dream of visiting the real Santa Claus in Lapland in order to tell him in person their most cherished wishes. As free travelling abroad was not permitted under the former communist regimes and communications were not that developed, they wrote letters and waited impatiently for their presents to come. At that time, they were not sure that Santa Claus existed. However, their wishes used to come true.

Nowadays, both adult and young are certain that Santa Claus exists. In real time they could even see the Christmas village in Lapland, as well as talk with Santa Claus himself. No matter where those CEE family members live and work today, they have the possibility to see and talk with one another over the internet in real time as well. However, they keep on dreaming again of what they may not be able to afford themselves.

Aiming at financial security for their families, a lot of CEE working-age people head for the 'wealthy' Western Europe. Most of them leave their near and dear in their homelands with the strong determination to come back when they save enough money for a good living. Those bread-earners happen to come back from abroad now-and-then, at big holidays like Christmas, just to find out how much their children have grown up, sometimes too much for the presents they bring them. No matter whether they will manage to secure their family future or not, during their years of working abroad they have strong links with their native countries.

Hence, their willingness to steer their long-term pension savings home. However, cross-border membership in pension funds depends to a great extent on cross-border taxation of pensionable contributions. A serious development on the issue was made by the European Court of Justice (ECJ) ruling in the Danner case of 3 October 2002, as well as by the Pan-European Personal Pension Product Regulation of 2019.

However, the language of taxation of supplementary pension arrangements is different in different countries: ETT (exempt-taxed-taxed), EET (exempt-exempt-taxed) or other internal revenue 'local dialects'. Some might say it would be easier if all the EU countries applied an identical technique, i.e., EET. It is a commonly held belief that following the EET model in the EU, member states would solve the cross-border taxation problems in retirement provision. In the end, the solution may not be EET or ETT but rather EET or EET.


TO Santa
Lapland
FINLAND
FROM TEDDY
TO: SANTA CL
AND FROM BULGARIA
DEAR SANTA CLAUS,
TEDDY I AM. YEARS THREE OF AGE.
WITH MY GRANDPARENTS LIVE IN
BULGARIA. PARENTS ARE NOT HOME.
WORK ABROAD. WAIT THEM EVERY
HOLIDAY IF CHEAP FLIGHTS THEY
FIND.
PLEASE SEND ME A TEDDY
BEAR - TO BE NOT ALONE
AT NIGHT.
MANY CHRISTMAS!
FROM TEDDY - bYE

Feature Article

Let us assume that in a European pension family only EET is applied. Nevertheless, countries might incur fiscal loss on the exempt contributions paid by citizens to a foreign pension scheme, which might never be compensated for by taxation of benefits in the future. Thus, countries might still be reluctant to exempt from taxes the contributions paid by its citizens to a foreign pension scheme because of different national tax-deductible limits and unbalanced cross-border membership bringing about unbalanced country allocation of fiscal losses and gains.

EET might be treated as exempt-exempt-taxed by legislative definitions in different countries, however the EET expectations of national governments and pension fund members might be for a cross-border Equitable Exemption Technique. The question of equality and justice has always been put forward with the fear that the pursuit of equity has often led to some of the most startling inequalities. Therefore, pension experts today are confronted with one of the greatest challenges in the pensions industry: equitable exemption techniques for supplementary retirement provision arrangements that are acceptable to EU member states.

People in different European countries pay different taxes. However, pension experts need not be interested in whether an individual country's tax rates are good or bad. Neither need they equalizes the rates. Levelling away the tax differences might be economically irrational and politically unacceptable.

So why not take a different point of view?

Rather than looking at the differences, why not look at the one undoubted similarity – the mere obligation to pay taxes. The other side of the tax coin similarity is that the actual tax due is usually arrived at through deductions of certain tax-exempt items. Therefore, it may be presumed that regardless of the tax regime peculiarities in different member states, the general concept of exemption and taxation seems to be accepted and commonly applied.

Then, what is the equitable tax-deductible limit on pensionable contributions? One may go through numerous calculations and comparisons on the impact that a uniform tax-deductible limit on contributions would have on the EU economy and may never reach a definitive answer. Therefore, there should be a way to make that limit at least compatible on a cross-border basis.

The computability had better be derived from the exemption/taxation concept similarity rather than from levelling the difference away.

The following example illustrates the point:

- An employee in country A earns €100. In compliance with the current tax system in that country, the income tax is €26, provided no contribution is paid under a supplementary retirement provision arrangement. Then, the maximum tax-deductible contribution to a supplementary pension fund could be defined as a certain percentage of the income tax otherwise due, i.e., of the €26. Provided a contribution is paid within that limit, it shall then be subtracted from the income tax due, and the final income tax will be arrived at.
- An employee in country B also earns €100. In compliance with the current tax system in that country, the income tax due is €20, provided no contribution is paid under a supplementary retirement provision arrangement. Then, the maximum tax-deductible contribution to a supplementary pension fund could be defined as a certain percentage of the income tax otherwise due, i.e., of the €20. Provided a contribution is paid within that limit, it will then be subtracted from the income tax due, and the final income tax will be arrived at.

Thus, the maximum tax-deductible contribution would be based on a percentage of the income tax otherwise due, i.e., on the income tax which the person would have to pay if no contribution is made. Such a maximum tax-deductible contribution limit is directly linked to the maximum limit of fiscal loss which a country is willing to accept through tax deduction of the contributions paid by its citizens to a foreign pension scheme.

The idea is aimed at:

Introduction of an exemption model that is nationally tailored.

Since different tax rates do exist in different member states, a maximum tax-deductible contribution limit that is directly linked to the income tax due under the current national tax systems may be commonly acceptable.

Introduction of an exemption model that helps against tax evasion.

Under this idea the maximum tax-deductible contribution increases parallel with the increase of the income tax due, i.e., through declaring greater income for tax purposes under the respective income tax brackets and rates. If the maximum tax-deductible limit were established as a fixed amount of currency units, the contributor would not have the impetus to benefit from a constantly increasing income declared for tax purposes. That impetus could be a prerequisite for declaring income that would otherwise remain in the grey economy.

Introduction of an exemption model that provides for a direct negotiation of the maximum limit of fiscal loss which each member state is willing to accept through tax deductibility of cross-border contributions.

One would say the above could be achieved through defining the maximum tax-deductible contribution limit as a given percentage of income rather than as a given percentage of the income tax otherwise due. For the individual pension fund member that is right. But there are some international considerations in favour of the above model. Unlike the endless debates among countries under the percentage-of-income exemption model (i.e. what maximum deductible contribution rates, relevant sources of income, income tax brackets and rates should EU member states impose in their national legislation so that the fiscal losses due to tax deductibility of cross-border contributions should be presumed to have acceptable country allocation), under the tax-otherwise-due exemption model countries would have to negotiate directly the maximum limit of fiscal loss which each of them is willing to accept through tax deductibility of cross-border contributions. Thus, respecting national tax system differences, the tax-otherwise-due exemption model could be considered close to common acceptability.

E... E... T... are just letters in a pan-European pension alphabet that is still being developed. Their exact meaning has yet to be decided by the 'parents' of the pan-European pension family, as they are the ones who can tell the difference between their twins.

Talking of parents, there is a common scene you may witness in December if you happen to pass by some post office in Bulgaria to send your Christmas cards, parcels or just pay your current bills.

Quite often, there, you will hear the elderly retired people queueing up in front of the cash-desks to ask one another the usual question, "When will they come?"

And although it is the time when state pensions and Christmas bonuses to retirees are paid (through post offices as well), it is certain that the question is not necessarily about the expected funds only.

Will their most cherished wish come true this Christmas time?

Pension Conundrum

P

i

Pension

Pension

conundrum

drum

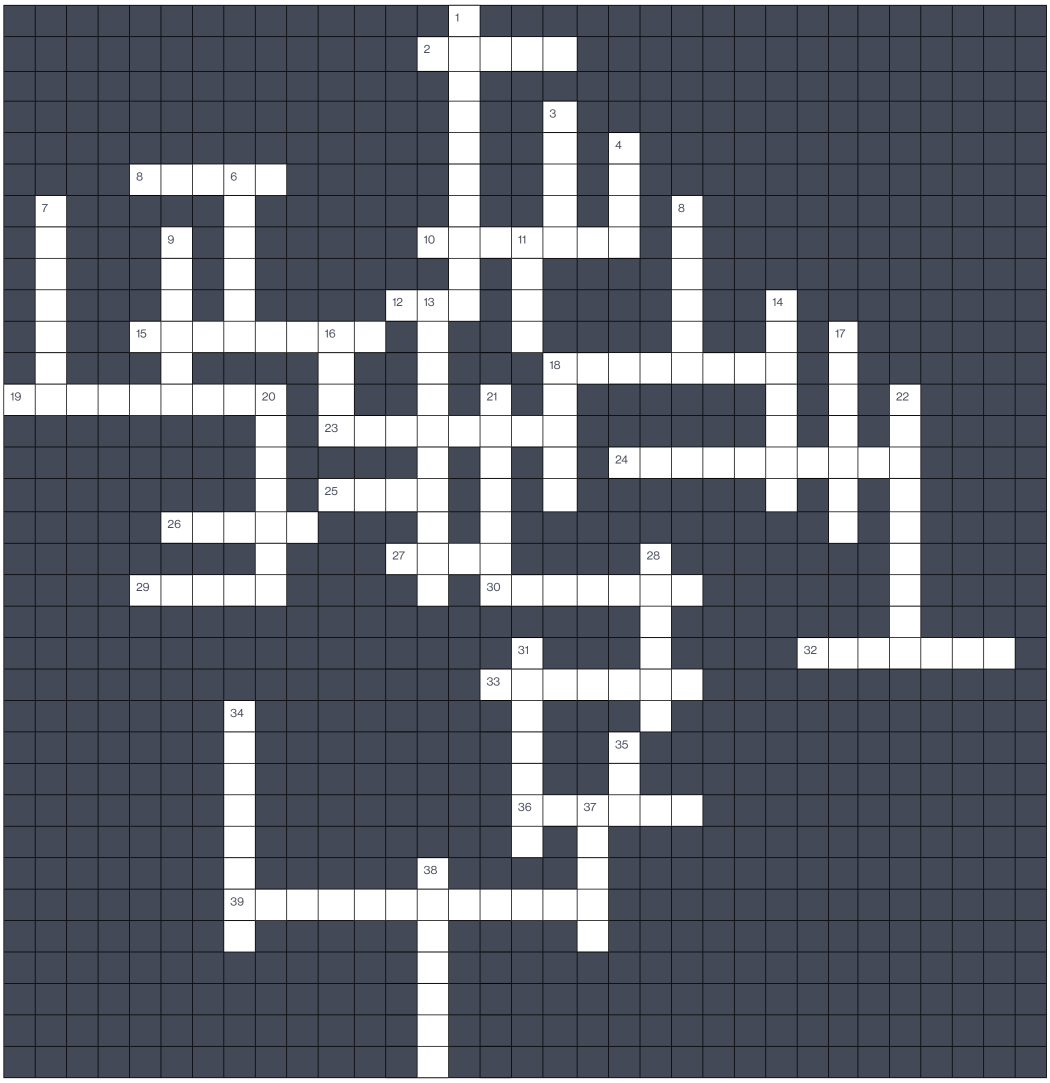
Crossword

Across

2. Active, fast, and energetic (5) **5.**Place within (5) **10.** Perceive or recognise something (7) **12.** Organise, as in an event (3) **15.** Challenge something head on (4,4) **18.** Realm concerned with governance and power distribution (8) **19.** State of good health and happiness (9) **23.** General public (5) **24.** Absolutely necessary or crucial (10) **25.** Throw forcefully in a specified direction (4) **26.** Move something from one place to another (5) **27.** Expert (4) **29.** A representation of an object (5 letters) **30.** Something that initiates a reaction or process (7) **32.** Make louder or increase in volume (7) **33.** Reservation or appointment (7) **36.** A person who judges the merits of literary or artistic works (6) **39.** Anxiety or fear (12)

Down

1. The action of driving or pushing forward (10) **3.** Contain (5) **4.** Intend to convey, indicate, or refer to (4) **6.** Breathe out (6) **7.** Engaged in deep or serious thought (7) **8.** On time; done without delay (6) **9.** Split or divide something, especially along a natural line or grain (6) **11.** Peaceful, quiet, or relaxed (4) **13.** Present, appearing, or found everywhere (10) **14.** Showcase (7) **16.** Enforcer of party discipline in politics (4) **17.** A repeated passage in music (7) **18.** Make an emotional appeal (5) **20.** Commonplace (7) **21.** Exit in protest (7) **22.** Abundant (9) **28.** Expose as false or erroneous (6) **31.** Chase approval (3,4) **34.** Extremely large or immense (8) **35.** Sum of total contributions (3) **37.** Typically for humorous or emphatic effect (5) **38.** Continue a course of action in spite of difficulty, opposition, or failure (7)



Answers from Issue 53

Across

2. Brisk **5.**Embed **10.**Discern **12.**Run **15.**Face down **18.**Politics **19.**Wellbeing **23.**Populace **24.**Imperative **25.**Cast **26.**Carry **27.**Guru **29.**Model **30.**Trigger **32.**Amplify **33.**Booking **36.**Critic **39.**Apprehension

Down

1.Propulsion **3.**House **4.**Mean **6.**Exhale **7.**Pensive **8.**Prompt **9.**Cleave **11.**Calm **13.**Ubiquitous **14.**Display **16.**Whip **17.**Reprise **18.**Plead **20.**General **21.**Walkout **22.**Plentiful **28.**Debunk **31.**Box tick **34.**Colossal **35.**Pot **37.**Irony **38.**Persist

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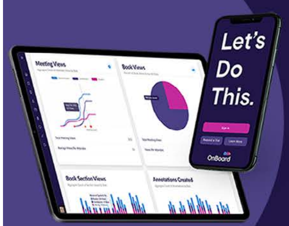
Pension Systems



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Appointments

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Copy deadline: 20th May 2024 FOR June 2024 ISSUE

Appointments

OXFORDSHIRE COUNTY COUNCIL

Closing date:
Sun 7th April
Interview date:
W/C Mon 15th April

Head of Pensions – Oxfordshire County Council

About the role
As the Head of Pensions, you will be responsible for the leadership and delivery of all LGPS related activity, providing appropriate advice and information to the members of the Pension Fund Committee, Local Pension Board and Fire Pensions Board. You will be responsible for developing the Fund's strategic approach to funding, investments, administration, governance and communications, and set these out in the relevant statutory policy documents.

You will manage the delivery of services with input from Scheme Employers and Scheme Members and design and develop an appropriate structure of policies and procedures supported by an effective technological infrastructure to enable the Fund to deliver its statutory responsibilities in compliance with the Pension Regulators Code of Practice. You will also play a wider role, supporting the Executive Director of Resources in managing the financial affairs of Oxfordshire County Council, including sitting as a key member of the Council's Treasurer Management Strategy Team.

About you
Alongside your significant experience of working at a senior level and leading a large team, you will have;

- LGPS Fund experience (within a Pensions or Local Government context)
- Strong and thorough understanding of LGPS Regulations, the Pension Regulator's Code of Practice and Associated Guidance.
- A strong understanding of Government Policy in respect of the LGPS and planned future direction of travel.

Salary range: £76,396 - £89,928 per annum
Work location: County Hall/ Kingsgate, Oxford
Hours per week: 37 - we are open to discussions about flexible working
Contract type: Permanent
Vetting Requirements: This role is politically restricted

Would you like to know more?
Visit www.pensioncareers.co.uk for the full job desription or contact Sean Collins, Service Manager Pensions at sean.collins@oxfordshire.gov.uk for an an informal discussion about the role.